



Valuation of: Bournemouth Swanage Motor
Road & Ferry, Shell Bay, Studland,
Dorset, BH19 3BA

On behalf of: The Bournemouth Swanage Motor Road & Ferry Company

Valuation Date: 31st March 2015

Prepared by: Richard Glenwright BSc, MSc MRICS, RICS Registered Valuer
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Mr Mike Kean
The Bournemouth Swanage Motor Road & Ferry Company
Fairacres
Stock Lane
Ingatestone
CM4 9QL

Gerald Eve LLP
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www.geraldeve.com

11 August 2015

Our Reference: RAG/AD9046

Dear Mike

Capital Valuation – Bournemouth Swanage Motor Road & Ferry Company

Introduction

I refer to your instructions for Gerald Eve LLP to value the properties identified in the report. Under the terms of the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS) January 2014 as amended, we are required to set out our conditions of engagement and the assumptions to be made in carrying out your instructions.

These terms and conditions are as set out under the various headings below, together with the general valuation terms and conditions attached as Appendix vi. These general terms and conditions apply except where they are specifically over-ruled by the assumptions in this letter. Appendix vi relates to this valuation instruction only and is in addition to the general Terms of Engagement for Gerald Eve LLP, also enclosed, which set out the general terms of business for all work undertaken by this firm. This letter, together with these appendices, forms the contract between us.

Status of Valuer

We shall be acting as an External Valuer for the purposes of this instruction. An External Valuer is defined in the Standards as:

“A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client, or the subject of the assignment”.

I confirm that we have carried out the necessary checks and are not aware of any conflict of interest in this respect.

Gerald Eve LLP has previously advised the Fairacres Group in relation to this property and on other property matters. I confirm that we consider this does not preclude us from carrying out this instruction.

The basis of valuation

The valuation shall be prepared using the Existing Use Value basis, defined in UKVS 1.3 as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost”.

We have also considered Depreciated Replacement Cost for some of the assets herein valued.



Depreciated Replacement Cost is defined as:

“The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”.

These properties are of a nature that it is appropriate to value them as trading entities, having regard to the operating accounts. You have provided us with the management accounts for the years 2010 - 2014. The valuation will be prepared on the understanding that this information is an accurate and true record of the trade carried on at the properties and that there are no significant omissions or extra items added that will distort the true position.

A full commentary on the meaning of and implicit assumptions within these definitions is included in the Standards. A copy of this can be provided on request.

Purpose of valuation

The purpose of the valuation is to ascertain the capital value of the properties identified in Section 4 for incorporation into your company accounts in accordance with UK GAAP.

Property and interests to be valued

The properties valued are as follows:

1. the Northern slipway located at Sandbanks;
2. the Southern slipway and causeway located in Studland;
3. the company office, flat and storage building located in Studland and
4. the road between the Causeway and the National Trust Knoll Car Park entrance, located in Studland,

all of which form part of the operation of the Bournemouth-Swanage Chain Ferry. The treatment of the plant and machinery associated with the operation is covered within the section below.

Plant & Machinery

In accordance with standard valuation practice, our valuations include land, buildings, site works and all plant, machinery, fixtures and fittings associated with the mechanical and electrical services of the buildings, site and site works. These services will include lifts, window cleaning equipment, heating, lighting, air conditioning and the ventilation equipment normally associated with the building. No process plant or installations associated with telephones and computers are included in our valuation. Goodwill and specialist plant and machinery, including that used for specific computer installations, telephones, computers, tenants fixtures, fittings, furnishings and equipment, will be excluded from the valuations.

Inspection and areas

We inspected the assets on 24 March 2015. During the surveys we noted the description of the properties, standard of fit-out and other matters that affect value. We previously measured the buildings associated with this instruction in connection with a previous instruction and carried out a full measurement survey in accordance with the RICS Code of Measuring Practice, 6th edition in 2010. We shall rely on the areas measured during these inspections and the other information as to the condition and use of the property based on what was seen. Where we have to make assumptions based on this information, we shall draw this to your attention in our report.

Regulated purpose disclosures

A statement of the policy of this firm on the rotation of valuers, and a copy of the current practice statement on valuation reviews, is attached as appendix A.

We consider that, by using multiple valuation partners and by carrying out the internal review procedures, there is a minimal risk of undue influence affecting the valuations in this case.

Gerald Eve LLP have knowledge of similar assets. Gerald Eve LLP have been carrying out the

valuation of the subject properties for around 15 years.

The total fees earned from The Bournemouth Motor Road & Ferry Company have never exceeded 5% of the total earnings of the firm annually, and this is not expected to change in the foreseeable future.

Fees

We have agreed a fee of £4,000 plus VAT, exclusive of our expenses, for this valuation.

Reliance

The valuations will be dependent on the accuracy of the information you have provided and on the assumptions set out herein. If subsequently this information proves to be incorrect or inadequate, the accuracy of the valuations may be affected and we reserve the right to alter our valuations accordingly.

Publication

I understand the valuations will be published in your company accounts. It is a requirement of the RICS and this firm that I approve the form of publication, or the reference thereto. I shall write to you with a suggested wording for inclusion in your financial statements at the same time as submitting my report. If there are any particular circumstances that will affect how my report is used, please let me have the details so that I can incorporate these in my suggested wording.

Responsibility

The valuation report will be provided for the stated purpose and solely for your use, and your professional advisers, and neither I nor Gerald Eve LLP accept any responsibility whatsoever to any other person.

Limit of liability and other matters

Our maximum liability both before or after the date of this letter shall not in the aggregate exceed £5,000,000 (five million pounds). This limitation shall apply to you (together with any Associated Person as identified in our Terms of Engagement for whom you are acting as agent in relation to the Contract) on any basis for any losses, damages, costs or expenses ("losses") arising from or in connection with our services in relation to this instruction.

I am required to inform you, under the RICS Rules of Conduct, that Gerald Eve LLP operate a complaints handling procedure and a copy of this can be provided on request. In the unlikely event that you have reason to make such an enquiry, this should be addressed to the managing partner, Simon Rees.

In accordance with the RICS Valuation - Professional Standards we are required to draw your attention to the possibility that this valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

Yours sincerely



Mark Barden BSc, FRICS
Registered Valuer
Consultant

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Gerald Eve LLP is a limited liability partnership registered in England and Wales (registered number OC339470) and is regulated by the RICS. The term partner is used to refer to a member of Gerald Eve LLP or an employee or consultant with equivalent standing and qualifications. A list of members and non-members who are designated as partners is open to inspection at our registered office; 72 Welbeck Street, London W1G 0AY and on our website.



Contents

Section	Page
Executive Summary	6
1. Location & Situation	7
3. Description	8
4. Accommodation	8
5. Condition	8
7. Planning	9
9. Tenure	9
10. Tenancy	9
11. Market Commentary	9
12. Valuation Comment	11
13. Ferry Toll Application	11
14. Existing Use Value	12
Appendix A. Rotation of valuation personnel	13
Appendix i – Location Map	14
Appendix ii – Photographs	15
Appendix v – Instruction Letter	18
Appendix vi – Terms and Conditions	19
Appendix vii – Abbreviations	20

VALUATION FOR COMPANY ACCOUNTS UNDER UK GAAP

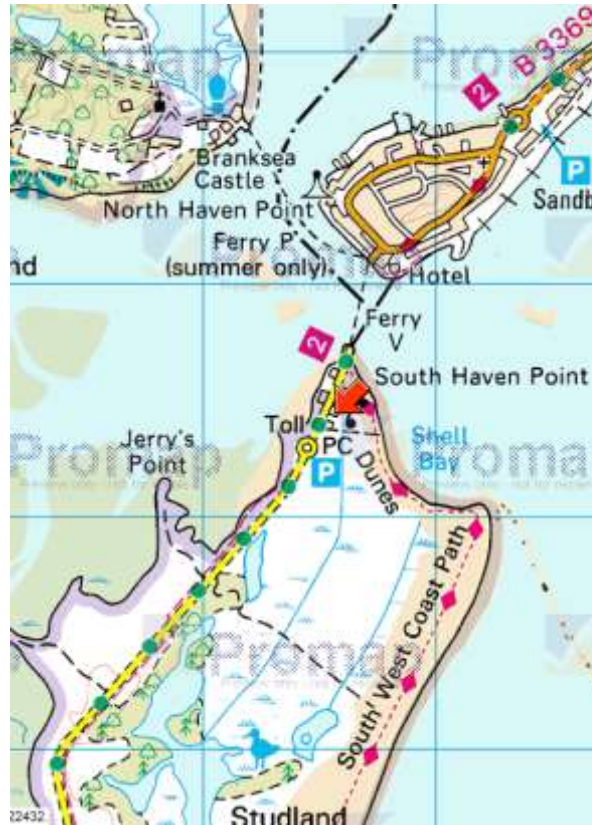
Valuation Date: 31st March 2015

The Bournemouth Motor Road & Ferry Company


Description	Ferry Operation & associated assets
Tenure	Freehold
Market Value	£14,270,000

This executive summary should be read in conjunction with the full valuation report enclosed.

1. Location & Situation



The subject premise is located in Studland, Bournemouth. Studland is located 5.6 miles South West of Bournemouth and 10 miles south west of nearby town Poole.

Studland is a sea side town on the Isle of Purbeck in the county of Dorset. It is famous for its beaches and natural reserve. Studland is located 2 miles north of the town of Swanage, over a steep chalk ridge. The Sandbanks Ferry is a vehicular chain ferry which crosses the entrance of Poole Harbour in Dorset. The route runs from Sandbanks to Studland, connecting coastal parts of the towns of Bournemouth and Poole with Swanage and the Isle of Purbeck the. The route is popular as it avoids a 25 mile journey by road.

A location plan can be found at appendix i.

3. Description

The assets to be valued are as follows:

1. the Northern slipway located at Sandbanks;
2. the Southern slipway and causeway located in Studland;
3. the company office, flat and storage building located in Studland and
4. the road between the Causeway and the National Trust Knoll Car Park entrance, located in Studland,

all of which form part of the operation of the Bournemouth-Swanage Chain Ferry

At the time of our inspection the properties appeared to be served by mains electricity, gas, water and drainage services.

None of these services were tested at the time of inspection, but, for the purpose of the valuation reported herein, we have assumed all services to be fully operational

Additional photographs of the subject assets are included at Appendix iii.

4. Accommodation

In accordance with the RICS Code of Measuring Practice, we undertook a full measured survey of the property on 24th May 2010 and re inspected the property on 24th March 2015. During the survey we noted the description of the property, standard of fit-out and other matters that affect value. We have relied on the areas measured during this inspection and the other information as to the condition and use of the property based on what was seen.

We calculate the internal floor areas to be as follows:

	Sq m	Sq ft
Offices (NIA)	80.45	866
Staff Accommodation (GIA)	63.16	680
Store (GIA)	34.54	372
"Garages" (GIA)	<u>99.40</u>	<u>1,070</u>
	277.55	2,988

5. Condition

As per your instruction and our Terms of Engagement the inspection we have carried out was for valuation purposes only and did not include a full building survey. However, from our observation, with regard to the general condition of the subject premises, we would comment as follows.

The subject premises were generally in a good condition. We did not notice any major structural defects or wants of repair.

Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials. Accordingly, for the purpose of the valuation reported herein we have assumed that the subject premises are free from such materials.

In respect of the ferry, this benefitted from an extensive mid life refit, which is anticipated will prolong the life of the it until 2032.

7. Planning

Local authority: Purbeck District Council
Westport House
Worgret Road
Wareham
Dorset
BH20 4PP

Telephone number: 01929 556561

We have not made planning enquiries of the planning authority. The valuations have been prepared assuming that the properties have full consent for their current use and that all existing development is lawful or is capable of being certified as lawful.

We understand that the planning consents have been granted subject to the condition that the buildings be used in conjunction with the operation of the Bournemouth-Swanage Chain Ferry and correspondingly, this will have an effect on their future value, if separated from the operation.

8. Environmental and contamination issues

Your instructions are that we should value the properties assuming there is no environmental contamination or other problems that will affect the value reported. We are not aware of any full environmental audit or other environmental investigation or soil survey which may have been carried out and which may draw attention to any contamination or the possibility of such contamination. We shall not carry out any investigation into past or present uses, either of the property or of any neighbouring land to establish whether there is any contamination or potential contamination to the property from these uses or sites.

9. Tenure

We understand that The Bournemouth-Swanage Motor Road and Ferry Company retains either the freehold title to the properties or has a perpetual interest or power over the properties vested in it by statute. We have not been provided with and have not inspected the deeds from which this information is derived.

10. Tenancy

The property and assets are owner occupied.

A small area of land at Ferry Road / Causeway is let to Poole Harbour Commissioners for a mast site. This is let on a 10 year lease, from 2 March 2011, with a review in March 2016. The current passing rent is £5,200 per annum. The lease has a six month mutual break clause.

11. Market Commentary

The Economy

The UK economy has been transitioning through a period of uncertainty regarding the outcome of the parliamentary General Election throughout Q1 2015. A majority conservative parliament elected has increased confidence within the financial markets based on knowledge that the government's economic agenda is likely to remain consistently pro-business.

The Bank of England (BOE) has said that Britain is sliding towards its first bout of negative inflation in more than half a century. Strong economic growth could stave off the threat of a deflationary spiral but there is evidence that UK growth is faltering. Following the BOE February inflation report, December inflation stood at 0.5% well below the BOE target of 2%. The BOE Governor Mark Carney said, "Inflation will likely fall further, potentially turn negative in the spring, and be close to zero for the remainder of the year." The BOE expects the slump in oil prices and falling food prices to boost consumer spending, this in turn should fuel growth and push inflation higher over the medium term.

ONS data shows GDP increased by 0.3% in the first quarter of 2015. The largest contribution to the increase came from the services sector, which increased by 0.5%. The increase in GDP followed growth of 0.6% in

Quarter 4 (Oct to Dec) 2014. In the latest quarter output increased in services by 0.5% while the other 3 main industrial groupings within the economy decreased with construction falling by 1.6%, manufacturing by 0.1% and agriculture by 0.2%. GDP was 2.4% higher in Quarter 1 (Jan to Mar) 2015 compared with the same quarter a year ago.

The Commercial Property Market

The performance of the UK commercial property market can be considered with reference to IPD data. IPD quarterly figures for Q1 2015 showed returns as below, with the change on the previous quarter shown in brackets.

<u>Sector</u>	<u>Quarterly Income Return</u>	<u>Quarterly Capital Growth</u>	<u>Quarterly Total Return</u>
Retail	1.3% (→)	0.7% (↓)	2.0% (↓)
Office	1.1% (→)	2.9% (↓)	3.9% (↓)
Industrial	1.4% (→)	2.1% (↓)	3.4% (↓)
All Property	1.2% (↓)	1.6% (↓)	2.9% (↓)

On an annualised basis the total returns for each sector are as below.

<u>Sector</u>	<u>1 Year Annualised Total Return</u>	<u>3 Year Annualised Total Return</u>	<u>5 Year Annualised Total Return</u>
Retail	13.3%	8.3%	8.4%
Office	21.2%	14.2%	12.2%
Industrial	21.6%	13.6%	11.1%
All Property	17.1%	11.0%	10.0%

Commercial property delivered total quarterly returns of 2.9% over Q1 2015 according to IPD. Although it represents a decrease in total returns for the third successive quarter, this figure nonetheless represents returns which are significantly above the long run, 15- year average of 1.9% per quarter. On an annual basis, commercial property delivered average total returns of 17.1% over 2014, the highest witnessed over the duration of a calendar year since 2005.

Office property was the best performing major asset class in Q1 2015, in terms of total returns delivering 3.9%. This performance was buoyed by central London assets, with West End and City offices witnessing quarterly returns of 3.8% and 4.6%, although the leading office market was the London Mid Town market with quarterly returns of 5.4%, representing the greatest return throughout the UK.

A high degree of regional variance exists within the retail sector, with central London assets continuing to markedly outperform the remainder of the UK. West End and Midtown and City assets for example delivered quarterly returns of 6.5% and 3.7% respectively in Q1 2015, whilst the best performing non-London market, over the same period, was Yorkshire and Humberside which saw returns of 1.9%.

Average rental value growth, across all property, reached 0.8% in Q1 2015, according to IPD representing a decrease of 0.1% from Q4 2014. Average all property rental growth for 2014, as a whole, was 1.5%.

Office rents performed strongly in terms of growth during Q1 2015, witnessing a 1.8% increase. Office rental levels have historically been highly volatile in comparison to other commercial asset classes and the combination of rents reaching a nadir during the financial crisis and sustained demand for central London offices have meant that rental growth within the office sector has been consistently high over the past five years. An acceleration of office rental growth during the past quarter, particularly in the West End and City, is due largely to vacancy rates in central London reaching a low point in the current cycle. The industrial sector is also exhibiting sustained rental growth, although to a lesser degree than offices. Over Q1 2015 standard industrials and distribution warehouses each registered average rental value growth of 0.8% and 0.9%.

The geographical divergence in total returns within the retail sector was driven largely by a significant spread in rental value growth between central London assets and the remainder of the sector. West End retail rents expanded by 2.2% in Q1 2015 and by 6.1% in 2014 as a whole, whilst in stark comparison, quarterly retail rental growth in the remainder of the UK ranged from -0.4% in South West to 0.5% in the North East. Yields continued to compress during Q1 2015, according to IPD; average equivalent yields across all property dropped to 6.0%, down 10bps from the previous quarter. Yield compression remained stable in the industrial sector, which, as a whole, saw equivalent yields remain at 6.8% in Q1 2015. Offices across the UK averaged equivalent yields of 6.0% in Q1 2015, representing a quarterly compression of approximately 10bps. In the central London market, both West End and City offices witnessed equivalent yield contraction of approximately 10bps to 4.5% and 5.6% respectively. In the retail sector there was nearly universal yield compression across subsectors and regions over the past quarter. The notable exception to this were supermarkets and department stores, where equivalent yields increased 10bps over Q1 2015 resulting from a drop in food prices and Tesco delivering a series of profit warnings.

Given that the UK is likely to be headed further into a temporary period of low inflation, there is a strong prospect of commercial property delivering relatively strong inflation-adjusted income returns over 2015. Furthermore, in our opinion there remains scope for further yield compression; particularly in secondary markets.

12. Valuation Comment

Our valuation includes the value attributable to those items of plant and machinery found at the properties that are used to provide normal building services. Due to the nature of the operation, our valuation also includes the items of plant and machinery listed below:

- (1) ferry
- (2) berthing and anchor points
- (3) chains in use

We have not valued other plant, machinery, equipment and spares, storage tanks above or below ground, high voltage ring mains, transformers, switchgears, generators, motors and secondary power distribution up to the main distribution board together with wiring for lighting and power for the buildings and plant and compressors and compressed air lines.

13. Ferry Toll Application

An application to create the Toll Charges was submitted in September 2014. The table below sets out the current toll and the proposed increases:

Class of Traffic	Current Toll	Toll 01/04/15	Toll 01/04/16	Toll 01/04/17	Toll 01/04/18	Toll 01/04/19
Pedestrian	£1.00	£1.00	£1.00	£1.00	£1.00	£1.00
Pedal/Motor cycle	£1.00	£1.00	£1.00	£1.00	£1.00	£1.00
Cars	£3.50	£3.80	£4.10	£4.50	£4.50	£4.50
Coaches	£8.00	£8.00	£8.20	£9.00	£9.00	£9.00
Small Goods Vehicle	£3.50	£3.80	£4.10	£4.50	£4.50	£4.50
Large Goods Vehicle	£7.00	£7.60	£8.20	£9.00	£9.00	£9.00

The Inspector recommended the application for approval without amendment and it was subsequently fully approved by the Secretary of State and implemented on 1 April 2015.



14. Existing Use Value

We are of the opinion that the Existing Use Value of the freehold interest in the subject interest, as at 31 March 2015, is in the sum of:

£14,270,000
Fourteen Million, Two Hundred and Seventy Million Pounds

The various elements of the valuation are apportioned as follows:

Site Works	£5,120,000
Causeway	£2,400,000
Buildings	£850,000
Land associated with the above	£200,000
Land, including the rights to operate the ferry & miscellaneous property income	£3,800,000
Ferry	£1,900,000
	£14,270,000

Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 300 employees.

In addition to valuation our range of services includes occupational and investment agency, planning and development, every aspect of building consultancy, rent review and lease renewal instructions, compulsory purchase and compensation, business rates, property taxation and project services.

If we can assist you further with regard to the subject of this valuation or any other property related issue please do not hesitate to contact either of the signatories to this report.





Appendix A. Rotation of valuation personnel

Rotation of Valuation Personnel

In accordance with PS 2 (8.3) of the RICS Valuation – Professional Standards, incorporating the IVSC International Valuation Standards, 9th Edition (January 2014), we are required to include in this letter a statement of the firm's policy on the rotation of the valuer who accepts responsibility for any Regulated Purpose Valuations and a statement of the quality control procedures that are in place.

Gerald Eve LLP recognises the concern expressed in the Standards that, where a valuer responsible for a valuation in accordance with UKVS 4 Regulated Purpose Valuations and holds that responsibility for many years, there may be a possibility that a threat of familiarity, with either the client or the property valued, may arise leading to the perception that the valuer's independence and objectivity could be compromised. The Standards advise that such a threat may be minimised by arranging for the rotation of the valuer who accepts responsibility for the valuation.

We note that the RICS consider it good practice to rotate the valuer responsible for Regulated Purpose Valuations at intervals of not more than seven years. However, the Standards also advise that the rotation period should reflect the frequency of valuation, the existence of a 'valuation panel', any internal valuation quality control procedures in place, and good business practice.

The firm has a clearly stated mandatory policy in relation to all valuation work, which has been produced and is monitored by a Valuation Panel comprising a number of partners. The policy includes a requirement for all Regulated Purpose Valuations to be the subject of a 'Panel Review', by external partners not involved in the valuation, before draft figures are reported to the client. In our view, the effect of this quality control procedure should reduce or remove any perception that the responsible valuer's independence and objectivity could be compromised.

If the firm has been working for the same client on valuation matters for more than 5 years, we discuss the issue of the rotation of valuers with the client as part of our agreement of the conditions of engagement for future valuations. We agree with the client at that time whether any partner needs to be replaced as the primary signatory of our report, and what their future involvement should be. In arriving at this decision we take into account:

1. the client's policies and requirements in giving us the instruction, including compliance with any regulatory organisations and rules that they might be operating under;
2. the frequency of the valuations, and whether the valuation instruction is in effect continuous (being annually or more frequent than that) or at more extended intervals;
3. the number of partners and valuers already involved in the valuations;
4. the effect of the vetting of our valuations by our internal "valuation panel", which reduces individual partner influence on the figures reported;
5. the degree of specialist knowledge required for the valuations, and the advantages in terms of efficiency and accuracy of retaining valuers with previous experience with the client's properties

Appendix i – Location Map



Appendix ii – Photographs



FERRY



ROAD



FERRY OFFICES



GARAGES



SLIPWAY (SWANAGE)



SLIPWAY (SANDBANKS)



Appendix v – Instruction Letter



GERALDEVE

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www.geraldve.com

30 April 2015

Our ref: RAG/AD9046

Dear Mike

Capital Valuation – Sanbanks Ferry, Shell Bay, Studland, Swanage

Conditions of Engagement

1 Introduction

- 1.1 I refer to your instructions for Gerald Eve LLP to value the property and assets identified in Section 4 below. Under the terms of the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS) January 2014, we are required to set out our conditions of engagement and the assumptions to be made in carrying out your instructions.
- 1.2 I shall be the valuer responsible for the instruction and the valuation report. Other partners and staff of Gerald Eve LLP will be involved in this instruction under my direction, and the term “we” in this letter refers to this team and the firm collectively. I confirm the valuation will be prepared by RICS Registered Valuers in accordance with the requirements of the Standards and shall represent our honest and objective opinion of the value of the properties. I also confirm that we have current local and national knowledge of the particular market; and we have the skills and understanding to undertake the valuation competently.
- 1.3 These terms and conditions are as set out under the various headings below, together with the general valuation terms and conditions attached as Appendix A. These general terms and conditions apply except where they are specifically over-ruled by the assumptions in this letter. Appendix A relates to this valuation instruction only and is in addition to the general Terms of Engagement for Gerald Eve LLP, also enclosed, which set out the general terms of business for all work undertaken by this firm. This letter, together with these appendices, forms the contract between us.

2 Status of Valuer

- 2.1 We shall be acting as an External Valuer for the purposes of this instruction. An External Valuer is defined in the Standards as:

“A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client, or the subject of the assignment”.

- 2.2 I confirm that we have carried out the necessary checks and are not aware of any conflict of interest in this respect.
- 2.3 Gerald Eve LLP has previously advised the Fairacres Group in relation to this asset and on other property matters. I confirm that we consider this does not preclude us from carrying out this instruction.

3 Purpose of valuation

- 3.1 The purpose of the valuation is to ascertain the capital value for internal management and accounting purposes under UK GAAP.

4 Property and interests to be valued

- 4.1 The property to be valued is the freehold asset known as Sandbanks Ferry, Shell Bay, Studland, Swanage. The asset comprises a road, slipways, ferry and toll booths and offices.

5 Tenure

- 5.1 We understand the property and assets are held freehold by Bournemouth Swanage Motor Road & Ferry Company.
- 5.2 We have been provided with copies of the following documents:
- Four years audited accounts
 - P&L statement dated 31 March 2015
- 5.3 The valuations will be based on information as to the tenure of each property, leases granted and agreements and financial status of tenants as supplied to us by you, your managing agents and your solicitors. Gerald Eve LLP shall not inspect or arrange to have inspected, the deeds, leases, tenancy agreements, etc, from which this information is derived.

6 The basis of valuation

Fair value is to be used when valuing in accordance with UK GAAP is set out in FRS 102 paragraph 2.34(b) as:

'the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.'

This differs in wording from the IFRS definition of fair value but in practical terms for most situations is still the equivalent of market value.

7 Valuation date

7.1 The properties are to be valued as at 31 March 2015

8 Inspection and areas

8.1 We externally inspected the property and assets on 24 March 2014 in connection with a previous instruction in 2010 and carried out a full measurement survey in accordance with the RICS Code of Measuring Practice, 6th edition. During the surveys we noted the description of the properties, standard of fit-out and other matters that affect value. We shall rely on the areas measured during these inspections and the other information as to the condition and use of the property based on what was seen. Where we have to make assumptions based on this information, we shall draw this to your attention in our report.

9 Planning enquiries

9.1 We shall not make oral planning enquiries of the planning authority or make requests to see the current consents on the properties. The valuations will be prepared assuming that the properties have full consents for its current use and that the existing development is lawful or capable of being certified as lawful. No local searches will be instigated. Except where stated to the contrary, we shall assume that there are no local authority, planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the properties.

10 Environmental and contamination issues

10.1 Your instructions are that we should value the properties assuming there is no environmental contamination or other problems that will affect the value reported. We are not aware of any full environmental audit or other environmental investigation or soil survey which may have been carried out and which may draw attention to any contamination or the possibility of such contamination. We shall not carry out any investigation into past or present uses, either of the property or of any neighbouring land to establish whether there is any contamination or potential contamination to the property from these uses or sites.

11 Regulated purpose disclosures

11.1 A statement of the policy of this firm on the rotation of valuers, and a copy of the current practice statement on valuation reviews, will be appended to the report.

11.2 We consider that, by using multiple valuation partners and by carrying out the internal review procedures, there is a minimal risk of undue influence affecting the valuations in this case.

11.3 Gerald Eve LLP have detailed knowledge of similar assets and are therefore qualified to carry out these valuations. Gerald Eve LLP have been carrying out the valuation of the subject properties for around 15 years.

11.4 The total fees earned from Bournemouth Swanage Motor Road & Ferry Company have never exceeded 5% of the total earnings of the firm annually, and this is not expected to change in the foreseeable future.

12 Fees

12.1 We have agreed a fee of £4,000 plus VAT, exclusive of our expenses, for this valuation.

13 Reliance

13.1 The valuations will be dependant on the accuracy of the information you have provided and on the assumptions set out herein. If subsequently this information proves to be incorrect or inadequate, the accuracy of the valuations may be affected and we reserve the right to alter our valuations accordingly.

14 Publication

14.1 I understand the valuations will be published in your company accounts. It is a requirement of the RICS and this firm that I approve the form of publication, or the reference thereto. I shall write to you with a suggested wording for inclusion in your financial statements at the same time as submitting my report. If there are any particular circumstances that will affect how my report is used, please let me have the details so that I can incorporate these in my suggested wording.

15 Responsibility

15.1 The valuation report will be provided for the stated purpose and solely for your use, and your professional advisers, and neither I nor Gerald Eve LLP accept any responsibility whatsoever to any other person.

16 Limit of liability and other matters

16.1 Our maximum liability both before or after the date of this letter shall not in the aggregate exceed £5,000,000 (five million pounds). This limitation shall apply to you (together with any Associated Person as identified in our Terms of Engagement for whom you are acting as agent in relation to the Contract) on any basis for any losses, damages, costs or expenses ("losses") arising from or in connection with our services in relation to this instruction.

16.2 I am required to inform you, under the RICS Rules of Conduct, that Gerald Eve LLP operate a complaints handling procedure and a copy of this can be provided on request. In the unlikely event that you have reason to make such an enquiry, this should be addressed to the managing partner, Simon Rees.

16.3 In accordance with the RICS Valuation - Professional Standards we are required to draw your attention to the possibility that this valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

I trust this letter accurately records the terms of our instruction and would be pleased if you could confirm this in writing / by returning the attached copy letter so that I can prepare the report.

Yours sincerely



Richard Glenwright BSc MSc MRICS
RICS Registered Valuer
Associate
For and on behalf of Gerald Eve LLP

rglenwright@geraldev.com
Direct tel. +44 (0)20 7333 6342
Mobile +44 (0)7944 585 528

Encl.



Signed on behalf of Bournemouth Swanage Motor Road & Ferry Company

M. KEAN
.....

Name

05/05/15
.....

Date

Appendix A

CONDITIONS OF ENGAGEMENT – GENERAL ASSUMPTIONS FOR VALUATIONS

1 Title

We shall assume that Bournemouth Swanage Motor Road & Ferry Company has a good and marketable title free from any encumbrances, restrictions or other outgoings of an onerous nature other than those that are disclosed to us.

2 Mortgages or charges

For the purposes of our valuation, we shall assume that the properties are free and clear of all mortgages or other charges on or over them.

3 Compliance with covenants

We shall assume that the tenant will comply with the lease covenants. Therefore, should we note during our inspection a certain want of repair and decoration in the properties, this want of repair will effectively be ignored.

We shall also assume the tenant will comply with the other terms of the lease and that there are no material breaches of covenant, or unresolved disputes with the tenant, that might affect the value of the properties.

4 Site investigation

We will not undertake any site investigation, geological, mining or geophysical survey and therefore cannot clarify whether the ground has sufficient load-bearing strength to support any of the existing buildings or any other constructions that may be erected in the future.

The report will give no warranties as to the condition of the structure, foundations, soil and services.

5 Asbestos regulations

The Control of Asbestos Regulations 2006 require the management of asbestos within the premises and that arrangements are recorded in writing, usually in an asbestos management plan. We have not seen a copy of any asbestos management plan in respect of the properties and, therefore, asbestos issues have not been reflected in these valuations. We will assume that you have carried out asbestos surveys of each property and have already taken any necessary remedial actions regarding asbestos in its present state. We will further assume that any covered or sealed asbestos will not cause excessive or unusual costs for the continuing use of the properties. Should additional problems with asbestos subsequently arise at the properties, the valuations reported may be affected.

6 Condition surveys

We shall not carry out building surveys nor shall we inspect those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition, unless we have been informed otherwise. We cannot give any warranty concerning the condition of the properties and have relied on the information provided to us in allowing for the reasonable costs of maintaining the properties in our financial projections. We shall not examine or test any of the services installed or

connected and will assume that all such services have been installed and connected in accordance with appropriate regulations and that they are in full working order and not in need of repair or replacement, unless advised to the contrary.

We shall not make any allowance for extra repair costs and liabilities that might arise if high alumina concrete or any other deleterious or hazardous substances have been used in any part of the construction, nor shall we make any specific provision regarding latent defects. We shall not arrange for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties or has since been incorporated, and we will therefore be unable to report that the properties are free from risk in this respect. For the purposes of these valuations, we shall assume that such investigation would not disclose the presence of any such material to any significant extent.

We shall not instigate any environmental audit or other environmental investigation or soil survey on the property which may evidence any contamination or the possibility of any such contamination. Therefore we shall assume that there has been no contaminative or potentially contaminative uses ever carried out in the property. Should it be established that contamination, seepage or pollution exists at the property or on any neighbouring land or that the premises have been, or are being, put to a contaminative use (unless stated otherwise in our report) then this might affect the values stated in the report.

We shall, therefore, assume the following:

- i there are no abnormal ground conditions, archaeological remains, or hazardous or deleterious materials or organic growth (such as Japanese knotweed) present which might adversely affect the present or future occupation, development or value of the property
- ii the property is free from rot, infestation, structural or design defect
- iii no high alumina cement or other currently known prohibited or suspect materials or techniques have been used in the construction of, or any subsequent alterations or additions to, the property
- iv the property is not contaminated and is not adversely affected by the Environmental Protection Act 1990 or any other environmental law
- v any processes carried out on the property which are regulated by environmental legislation are properly licensed by the appropriate authorities and operated in accordance with the licence

If any of the above assumptions prove to be inappropriate, then the value of the property concerned may be affected.

7 Energy Performance Certificate

The Government requires an Energy Performance Certificate (EPC) to be produced for property transactions including the sale, rent or construction of both residential and non residential dwellings. For the purposes of this valuation we have not been provided with a copy of an EPC for the premises. Our valuation is based on the assumption that any

transaction will be conducted in accordance with the aforementioned legislation. Furthermore, unless advised to the contrary we will assume that the properties does not have an EPC rating of either 'F' or 'G' and no extraordinary capital expenditure would be required in order to get it into a saleable and / or lettable condition in accordance with the Energy Act 2011.

8 Plant and machinery

In accordance with standard valuation practice, our valuations will include land, buildings, site works and all plant, machinery, fixtures and fittings associated with the mechanical and electrical services of the buildings, site and site works. These services will include lifts, window cleaning equipment, heating, lighting, air conditioning and the ventilation equipment normally associated with the building. No process plant or installations associated with telephones and computers will be included in our valuation. Goodwill and specialist plant and machinery, including that used for specific computer installations, telephones, computers, tenants fixtures, fittings, furnishings and equipment, will be excluded from the valuations.

9 Computers

For the purpose of the valuations we shall assume that all systems and services that are reliant upon any form of computer or micro processor are functional and have no inherent software defect which might now or in the future cause them to cease operation. Should it, however, be established that significant cost will arise in achieving continuous operation of these services, this could reduce the values reported.

10 Statutory notices

We shall assume that there are no outstanding statutory notices other than any which are identified to us.

11 Defective premises and statutory requirements

We shall assume that there are no contraventions of any statutory requirements. No allowance will be made in respect of rights, obligations or liabilities arising from the Defective Premises Act 1972, Building, Fire or Workplace (Health, Safety and Welfare) Regulations 1992.

12 Equality Act 2010 (disability discrimination)

We shall not include any allowance in our valuations for works that are or might become necessary to change arrangements or physical features of premises for use by disabled persons nor shall we comment except in general terms on the level of compliance with the terms of this Act that we find in the building. We will not carry out an Access Audit and we will assume that there are no material works required under the Act in respect of the property's current use and occupation.

13 Tax and VAT

No allowance will be made in our valuations for any liabilities for tax. Our valuation will be expressed exclusive of any Value Added Tax or other tax liabilities that may become chargeable.

14 Service charge

In addition to the above, we have assumed that the service charge is run cost effectively and efficiently and thus not for profit. Also, unless otherwise advised or stated, we have

not allowed for any major items of expenditure, which any ingoing tenant/occupier may be liable for and may potentially have an adverse affect on the value / values reported herein. It is also assumed that the service charge is managed in accordance with the RICS Code of Practice for Service Charges in Commercial Property, which has Guidance Note status.

We would recommend that information regarding service charges, including any substantial shortfalls or known and foreseeable major items of expenditure and or repair, are verified by your legal advisors. Upon receipt of further detailed information we will be more than happy to comment on the same and where applicable, the affect, if any, on the figures reported herein.

15 Grants

No allowance will be made for the incidence of grants except insofar as the availability of Government financial incentives for industry influences general levels of value.

16 Costs of acquisition and realisation

In respect of premises valued on a yield basis, the market value reported is the gross amount paid for the subject interest, less an allowance for standard purchasers costs, calculated as follows:

Agents' fees	1%
Legal fees	0.5%
VAT on fees (20%)	0.3%

Commercial and Mixed Use		Residential	
Up to £150,000 – annual rent is under £1,000	0%	Up to and incl £125,000	0%
Up to £150,000 – annual rent is £1,000 or more	1%	£125,001 to £250,000	1%
Over £150,000 to £250,000	1%	£250,001 to £500,000	3%
Over £250,000 to £500,000	3%	£500,001 - £1,000,000	4%
Over £500,000	4%	Over £1,000,000	5%
		Over £2,000,000	7%

16 Costs of acquisition

We shall reflect a purchaser's costs of acquisition to take account of stamp duty, agents and legal fees, including VAT.

17 Costs of realisation

No allowance will be made in respect of costs of realisation.

Appendix vi – Terms and Conditions

These are the general terms and conditions upon which our valuation and report are prepared, unless agreed otherwise in writing or stated otherwise in the body of this report. The below terms and conditions are written in the singular. Where the reported valuation(s) refer to two or more properties these terms and conditions should also be taken to apply in the plural.

Valuation Assumptions:

We have made the following assumptions:

1. All valuations are carried out in accordance with the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS), January 2014.
2. All information supplied to us by your Client, yourselves, or your professional advisers, or any other named party, is assumed to be correct and complete.
3. We have not had access to the title deeds of the property and are therefore unable to comment as to whether they are free from, for example, any onerous or unusual covenants, restrictions, outgoings, or statutory notices likely to have an adverse effect upon the value of the property. We have assumed for the purpose of our valuation that none such exist.
4. Generally, plans and maps provided for identification purposes only are reproductions of Ordnance Survey maps with the sanction of the Controller of HM Stationery Office, Crown Copyright reserved, and are to a scale of 1:1,250 or are location maps at a scale of 1:50,000 and provided by Promap.
5. All the covenants in any Headleases have been complied with and there are no disputes with the Lessors or notices received from the Lessors or Lessees which would adversely affect the valuation.
6. Unless our enquiries have indicated otherwise, it is assumed the property’s use is duly authorised or established with the local planning authority and that no adverse planning conditions or restrictions apply. It should be noted that employees or Town Planning Departments now give information on the basis that it should not be relied upon and, therefore, we advise that formal searches are undertaken if greater certainty is required.
7. It is assumed that each property is not occupied and used with, nor that the premises have been, or are, being, put to any contaminative use. This might reduce the values now reported.
8. In the absence of any information to the contrary, no allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.
9. The Landlord and Tenant Act 1987 gives certain rights to residential tenants to acquire the freehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore any sale on the open market is unrestricted.
10. We have inspected and carried out a measured survey of the property in accordance with the Code of Measuring Practice (6th Edition) prepared by the Royal Institution of Chartered Surveyors. Unless otherwise stated, it is assumed that the building has been constructed and is being occupied and used with all requisite consents and in compliance with valid Town Planning and Building Regulations approval and has the benefit of a current Fire Certificate and that the property complies with all relevant statutory regulations.
11. We have not undertaken a building survey, nor have we tested any services or inspected woodwork or other parts of the structure, which are covered, unexposed or inaccessible. Therefore these parts are assumed to be in good repair and condition and the services in full working order.

12. The Government requires an Energy Performance Certificate (EPC) to be produced for property transactions including the sale, rent or construction of both residential and non-residential dwellings. For the purposes of this valuation we have not been provided with a copy of an EPC for the premises. Our valuation is based on the assumption that any transaction will be conducted in accordance with the aforementioned legislation.
13. We have not arranged for any investigation to determine whether high alumina cement concrete, calcium chloride additive, blue asbestos or any other deleterious or hazardous material has been used in the construction, and we cannot therefore confirm that the property is free from risk in this regard. Our valuation has been prepared on the assumption that any investigation would not reveal the presence of such materials.
14. We have not undertaken any site investigation, geological, mining or geophysical survey and therefore cannot clarify whether the ground has sufficient load-bearing strength to support any of the existing buildings or any other constructions that may be erected in the future.
15. We have not included plant and machinery not forming part of the service installations of the building. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Furthermore, no account of any goodwill, that may arise from the present occupation of the property, is allowed for in our valuation.
16. This report gives no warranties as to the condition of the structure, foundations, soil and services.
17. We have not instigated any environmental audit or other environmental investigation or soil survey on the property which may evidence any contamination or the possibility of any such contamination. Therefore we have assumed that there has been no contaminative or potentially contaminative uses ever carried out in the property. Should it be established that contamination, seepage or pollution exists at the property or on any neighbouring land or that the premises have been, or are being, put to a contaminative use (unless stated otherwise in our report) then this might affect the values stated in the report.
18.
 - i) There are no abnormal ground conditions, archaeological remains, or hazardous or deleterious materials present which might adversely affect the present or future occupation, development or value of the property;
 - ii) The property is free from rot, infestation, structural or design defect;
 - iii) No high alumina cement or other currently known prohibited or suspect materials or techniques have been used in the construction of, or any subsequent alterations or additions to, the property;
 - iv) The property is not contaminated and is not adversely affected by the Environmental Protection Act 1990 or any other environmental law; and
 - v) Any processes carried out on the property which are regulated by environmental legislation are properly licensed by the appropriate authorities and operated in accordance with the licence.

If any of the above assumptions prove to be inappropriate, then the value of the property concerned may be lower
19. We have not included any allowance in our valuation for works that might become necessary to enable access for disabled persons under the Equality Act 2010.
20. In respect of commercial and residential premises valued on a yield basis, the Market Value reported is the gross amount paid for the subject interest, less an allowance for standard purchasers costs, calculated as 1.8% in respect of agents' and legal fees, together with stamp duty liability, as follows:

Commercial & Mixed Use

Residential



Charged at a fixed rate on the entire purchase price:		Charged at different rates depending on the portion of the purchase price that falls within each rate band:	
Up to £150,000 – rent under £1,000 pa	0%	Up to £125,000	0%
Up to £150,000 – rent over £1,001 pa	1%	£125,001 to £250,000	2%
£150,001 to £250,000	1%	£250,001 to £925,000	5%
£250,001 to £500,000	3%	£925,001 to £1,500,000	10%
Over £500,000	4%	Over £1,500,001	12%
		Company > £500,000	15%

21. We have taken no account of any other taxation liability that may arise on disposal, nor of any costs associated with either acquisition or disposal incurred by the owner. In addition, no allowance has been made to reflect any liability to repay any government or other grants or taxation allowance that may arise on disposal.
22. Unless stated to the contrary, all rental and capital values stated are exclusive of VAT at the prevailing rate.
23. Our valuation report has been based upon a number of assumptions stated therein. If any assumptions are proved to be incorrect, we wish to reserve the right to alter our opinion of value accordingly.
24. Our maximum liability for all advice and services provided in connection with this project both before or after the date of this letter shall not in the aggregate exceed £5,000,000 (five million pounds). This limitation shall apply to our aggregate liability to you (together with any Associated Person as identified in our Terms of Engagement for whom you are acting as agent in relation to the Contract) on any basis for any losses, damages, costs or expenses ("losses") arising from or in connection with our services in relation to this project.



Appendix vii – Abbreviations

Abbreviations used within our reports are defined below.

ADR	Average Daily Rate
AGA	Authorised Guarantee Agreement
AST	Assured Shorthold Tenancy
BREEAM	Building Research Establishment Environmental Assessment Method
EPC	Energy Performance Certificate
FF&E	Furniture, Fixtures and Equipment
FMS	Fair Market Share
FRI	Full Repairing and Insuring
GIA	Gross Internal Area
GOP	Gross Operating Profit
ITZA	In Terms of Zone A
MOD	Minor Operated Department
MPI	Market Penetration Index
MR	Market Rent
MV	Market Value
NIY	Net Initial Yield
NIA	Net Internal Area
pa	Per Annum
pcm	Per Calendar Month
psf	Per Square Foot
psm	Per Square Metre
pw	Per Week
RGI	Revenue Generation Index
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RevPAR	Revenue Per Available Room
sq ft	Square Feet
sq m	Square Metres
UBR	Uniform Business Rate (multiplier)
VAT	Value Added Tax
ZA	Zone A